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SUBJECT: COLOMBIAN FRUSTRATION MOUNTS OVER INACTION ON U.S.-CTPA

¶1. (SBU) SUMMARY. While Colombians generally understand U.S. political realities associated with a vote on the U.S.-Colombia Trade Promotion Agreement (U.S.-CTPA), resignation has grown within the Colombian government, business and academic communities over the lack of action on the accord. The Government of Colombia (GOC) remains committed to the Agreement's passage, but worries that its efforts will turn out to be unsuccessful. Business community members believe that long-term inaction on the U.S.-CTPA will not result in a leftward political shift in Colombia, but will be detrimental to U.S.-Colombian relations. Academics lament that the delay has kept Colombia from locking in certain reforms that would live on beyond Uribe's administration. Union leaders supportive of the Agreement note the urgent need for the jobs it would create. Union leaders that oppose the U.S.-CTPA applaud the delay and support continued unilateral trade preferences in its place. END SUMMARY.

¶2. (SBU) Most Colombians understand U.S. domestic political realities and concerns over labor and labor violence issues associated with the U.S.-CTPA. They are aware of the President's statements during the campaign and his statement on the FTA following the Uribe bilat in June. Nonetheless, in our conversations with various stakeholders, responses range from frustration and resignation to satisfaction over a delay in a vote on the Agreement.

GOC: GROWING RESIGNATION

¶3. (SBU) GOC interlocutors believe the U.S. health insurance reform debate will preclude consideration of the FTA at this time. They point to it as one of a list of political issues (including Trade Adjustment Assistance, the 2008 elections, and assistance to U.S. automakers) that have trumped consideration of the U.S.-CTPA since it was first signed in November 2006. On October 8, when Colombian Senate candidate and former Colombian Central Bank board member Juan Mario Laserna publicly characterized Secretary Clinton's alleged remarks to a closed meeting as implying that action on the U.S.-CTPA would not come until one-and-a-half to two years, reaction from our contacts appeared to be less surprise, and more resignation.

14. (SBU) Juan Lucas Restrepo, who negotiated the chapter on Sanitary and Phytosanitary Measures for Colombia, warned that the internal danger for the GOC, legislature and business community would be a loss of faith that the kind of open, transparent, professional negotiation process that the U.S.-CTPA entailed is worth the effort. Vice Minister of Trade Gabriel Duque reiterated the GOC's commitment to providing us with information on Colombia's labor laws as well as violence and impunity. He expressed a desire that any requests for action in these areas be part of the implementation process, rather than preconditions for a vote. He also said the GOC would be asking for a two-year extension of Andean Trade Promotion and Drug Eradication Act (ATPDEA) benefits for Colombia.

PRIVATE SECTOR SEES POTENTIAL HARM TO BILATERAL RELATIONS

15. (SBU) Leaders of U.S. and local companies in Colombia are focused on how the U.S.-CTPA will benefit them in the global value chain, regardless of whether they export to the United States. Mauricio Alvarez, who runs a leather factory that employs

approximately 100 people, including former members of illegal armed groups, told us he would import more of a key input (ballistic nylon) from his Delaware-based supplier were it not for the current steep tariff that would disappear upon entry into force of the U.S.-CTPA.

16. (SBU) The President of a large textile factory in Medellin told us that a political shift to the left in Colombia, as some have suggested, would be an unlikely response to a failure to pass the U.S.-CTPA. He feared that prolonged inaction would damage the bilateral relationship. He also noted that the Colombian duty on imported U.S. cotton, an input for his textiles and apparel, remains in place and increases his production costs.

ACADEMICS SEE MISSED OPPORTUNITY

17. (SBU) Economists expressed dismay at the delay because it represents a missed opportunity to lock in reforms that would continue beyond the Uribe administration. Hernan Vallejo, a trade economist from Universidad de los Andes pointed to advances in intellectual property and investment protections in particular. He opined that a subsequent Colombian administration would be free to withdraw from U.S.-CTPA commitments if the Agreement had not already entered into force.

PRO-FTA UNIONS: U.S.-CTPA MEANS JOBS

18. (SBU) The pro-free trade segment of unionized labor, particularly in export-oriented sectors, such as textiles, emphasizes the benefits the U.S.-CTPA will bring in the form of jobs. Luis German Restrepo, leader of a textile-sector union, emphasized the urgency of the employment aspect of the U.S.-CTPA, given the dramatic downturn in trade with Colombia's largest non-traditional export market, Venezuela.

ANTI-FTA UNIONS: KEEP UNILATERAL PREFERENCES COMING

¶9. (SBU) On the other hand, one group quite pleased with the state of the U.S.-CTPA is that segment of Colombian unionized labor, including the Unified Workers Central (CUT - the country's largest labor confederation), that opposes all of Colombia's free trade agreements (FTAs). Jose Luciano Sanin, President of the National Unionist School (ENS) is unabashed in his mercantilist argument in favor of continuing unilateral trade preferences for Colombia, while opposing FTAs because he says they put the interests of corporations above those of individuals.

CONCLUSION: MITIGATING DETRIMENTAL EFFECTS

¶10. (SBU) While political realities will dictate if and when a vote on the U.S.-CTPA occurs, the USG can work to mitigate any negative impact on the bilateral relationship through consistency and clarity of our message about the trade accord. We are exploring other areas where we can augment the bilateral economic relationship. A two-year extension of ATPDEA benefits might be one such area. There may be others.

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